Strictly private and confidential

Chevron Overview

Yamburg Treaty

1. On 30 December 1985, the USSR and the Hungarian People's Republic entered into the Yamburg Treaty to develop the Yamburg oil and gas field in Siberia and the Tengiz field, located on the territory of Kazakhstan ("**Yamburg Treaty**"). Pursuant to the Yamburg Treaty, the Hungarian party constructed certain facilities at the Tengiz field, supplied various goods and materials and provided funds in freely convertible currency. Under the Yamburg Treaty, the cost of work, goods and amount of the loan constituted the USSR's debt which was to be paid in installments during the period of six years at four percent per annum. Article 6 of the Yamburg Treaty provided that the indebtedness could be repaid in two ways - by a supply of natural gas or by transferring the amounts due and payable in convertible Rubles.

2. On 6 September 1993, Russia and the Republic of Kazakhstan entered into a Succession Treaty[1], pursuant to which Russia agreed to pay Kazakhstan's share[2] in the foreign debt of the USSR determined in the Succession Treaty[3] based on the single aggregated figure as of 1 December 1991.[4]

3. A portion of debt incurred under the Yamburg Treaty prior to the collapse of the USSR was repaid by the Russian Federation. However, a portion of the work in Tengiz under the Yamburg Agreement was completed following collapse of the USSR and was finally completed in May 1993. Accordingly, the debtor in respect of payment for this portion of the work is the Republic of Kazakhstan. We understand that Kazakhstan has never repaid its part of the indebtedness, either through the supplies of gas or otherwise.

Sale of the claim to Arte Legis

4. After over a decade of trying to obtain payment for the Tengiz works from Kazakhstan, the Hungarian government decided that it may be more prudent to sell the right of claim in relation to the indebtedness which arose pursuant to the Yamburg Treaty. Arte Legis won the public auction organized by Hungarian state, and on 14 March 2006, the Hungarian State Treasury assigned the claim to this company (an affiliate of Renova Group). The 14 March 2006 Assignment Agreement states in Article 1:

> *Pursuant to Hungarian Governmental Regulation No. 2032/2006 (III.7) the Seller shall assign to the Buyer which is the winner of the open tender announced January 30, 2006, for the consideration set forth in clause 2 hereof, the claims of Hungary against the Republic of Kazakhstan arising from breach of the obligations to supply natural gas in connection with the construction and*

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[1] Treaty Regulating the Succession Matters in respect of the Foreign Debt and the Assets of the Former USSR dated 6 September 1993 approved by Decree No. 992 dated 9 October 1995

[2] 3.86%

[3] Succession Treaty in respect of the Foreign Debt and the Assets of the Former USSR dated 4 December 1991.

[4] The USSR ceased to exist on 8 December 1991.

installation work performed at the Tengiz field during 1992-1993 and under the 1985 Yamburg Agreement.

Tengizchevroil LLP

5. In April 1993, Tengizchevroil LLP ("**TCO**") was formed by Tengizneftegaz and the ChevronTexaco Overseas Petroleum Inc. ("**CTOPI**"). We understand that Tengizneftegaz was a production unit of the State of Kazakhstan, which subsequently was organized as a company limited by shares and wholly owned by Kazakhstan. TCO, however, is a limited liability partnership ("**LLP**") organized under the laws of Kazakhstan.[5] The shareholders of TCO were a consortium of U.S. oil companies and the Kazakhstan national oil and gas company, as it existed at that time. Chevron Overseas Company ("**Chevron**") is the U.S. partner of TCO.

6. Kazakhstan appears to have transferred the Tengiz field infrastructure to the state-owned company Tengizneftegaz. Thereafter, upon formation of TCO, Tengizneftegaz transferred certain assets to TCO. For example, as indicated in the 2004 Preliminary Offering Memorandum, on 2 April 1993, TCO entered into Asset Sale and Purchase Agreements under which TCO purchased from the various Kazakhstani sellers assets, including petroleum and products, wells, plant and machinery, and information (including relevant technical expertise) associated with the Tengiz and Korolev Fields (the "**Assets**") for USD 1,640,000,000[6]. However, we do not, at present, have evidence that the debt associated with such assets was also transferred at that time, or thereafter. Tengizneftegaz and CTOPI also appear to have potentially each contributed USD 25 million to the Charter Fund in the form of intangible and tangible assets. Subsequently, each partner contributed 50% of the asset value of the Tengiz development project on 6 April 1993, the consideration for which was in the form of two equal, interest-bearing loans with a total combined value of USD 1,640 million. Moreover, we understand that the Kazakhstani sellers sold 50% of the Assets and rights used by the Kazakhstani sellers in the oil and gas exploration, appraisal, development, production and processing business carried on before 2 April 1993 in relation to the Tengiz and Korolev fields to CTOPI, which CTOPI further sold to TCO.[7]

7. We assume that Assets included the only plant existing at that time – the Tengiz oil and gas processing plant which comprised "***KTL-1" and "KTL-2***", the integrated technology lines constructed by the Hungarian contractors under the Yamburg Treaty (the companies Vegyepszer and Chemokomplex). Given the above, it appears that at first the Kazakhstan Sellers sold 50% of the Assets to CTOPI (which could include the results of Hungarian construction works) and then the Kazakhstani sellers, and CTOPI sold jointly 100% of the Assets to TCO under the Agreement dated 2 April 1993.[8]

8. For its part, upon TCO's formation in 1993, the Republic of Kazakhstan granted TCO an exclusive production license for a concession area of 1,538 square kilometers that included the Tengiz and Korolev fields, which gave TCO the rights to develop these fields for up

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[5] Preliminary Offering Memorandum dated 1 November 2004, p. vi.

[6] *Id.* at pp. 108 – 109.

[7] *Id*.

[8] It appears, works on the Tengiz field were ongoing when TCO was created. A letter from TCO to Vegyepszer (26 June 1993), stated that as of 1 July 1993, TCO would compensate Vegyepszer for all onsite labor and equipment.

to 40 years, through 2033."[9]

General Release

9. On 8 January 2014, the Ministry of Oil and Gas of Kazakhstan sent a letter to Viktor Vekselberg as the Chairman of the Renova Group Companies, together with corresponding attachments, including a letter from TCO to the Ministry of Oil and Gas of the Republic of Kazakhstan dated 3 October 1996 ("**TCO Letter**") and the attached document entitled "General Release", purportedly signed by a representative of "Vegyepszer Co Ltd." and allegedly dated 23 January 1996 ("**General Release**"), to address Arte Legis' proposal to discuss an amicable settlement of the Yamburg Treaty claim that otherwise could be defended in foreign courts and arbitration tribunals. The 8 January 2014 letter suggested, that based on the TCO Letter and the General Release, the Republic of Kazakhstan received a document "evidencing repayment of the debt and release of all claims" under the Yamburg Agreement, thus purportedly absolving Kazakhstan of the entire debt in dispute under the Yamburg Treaty in exchange for a lump-sum payment of **US$ 2,036,817** (which sum presumably was to be shared among all the Hungarian entities allegedly bound by the General Release). This allegation was raised for the first time in several years of attempts to resolve this dispute. The General Release also named Chevron as one of the Released parties.

10. The TCO Letter was signed by TCO's General Director, Mr. Zana, to the attention of the Kazakhstan Minister of Oil and Gas, Mr. Balgimbayev, which purported to give a legal analysis of the General Release. According to the TCO Letter, the General Release released Kazakhstan from "any and all claims and debts that arose before the date of the General Release, including those relating to the Tengiz field and … any claims against the Republic [i.e., Kazakhstan] that could arise under the Yamburg Treaty," regardless of whether those claims arose before or after 31 May 1993.

11. There are a number of inconsistencies between the TCO Letter and the General Release, and the multiple attempts over the years to resolve the dispute with Kazakhstan in relation to the Yamburg Treaty. Moreover, the circumstances surrounding the General Release are highly suspect, and cast serious doubt on the authenticity and validity of the document. For example, the General Release purports to have been signed by or on behalf of several Hungarian companies and the Republic of Hungary. However, following our discussions with the Hungarian Government, we have been informed that the Republic of Hungary never authorised or gave anyone the power to settle the claims in relation to the Yamburg Treaty (or works conducted under it) on Hungary's behalf, which raises suspicions in relation to the General Release and the TCO Letter. Moreover, we were informed that consequences of such suspicions may, at some point in the future, include criminal proceedings against the persons involved (which may include Mr Zana, who authored the TCO Letter).

Communication with Chevron

12. Considering the seriousness of the matters raised in the 8 January 2014 from the Ministry of Oil and Gas of Kazakhstan, and the potentially very serious consequences for TCO or its employees or partners, including Chevron (including criminal proceedings and investigation in relation to the subject matter and payment of the consideration for the General Release), Akin Gump contacted Chevron through its connections and was put in contact with the Deputy General

[9] Preliminary Offering Memorandum at pp. 1 – 2.

Counsel, who directed Akin Gump to an in-house lawyer, Stephanie Butler, with whom Akin Gump has been in contact on a friendly basis thereafter. Akin Gump explained the circumstances surrounding the General Release and the TCO Letter, and that these recent revelations could pose serious problem for Chevron or TCO, including criminal or civil proceedings and bad publicity. In light of the seriousness of this issue, Chevron agreed to contact TCO in Kazakhstan and to revert to Akin Gump in mid-April. We are currently awaiting such response.